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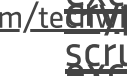
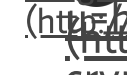
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Cryptocurrency exchange Coincheck's signboard is pictured in front of a building where their office is located, in Tokyo, Japan Jan 29, 2018. Source: Reuters

By Tech Wire Asia (<http://techwireasia.com/author/user/>) | 30 January, 2018



HACKERS have reportedly stolen US\$530 million of digital money from Tokyo-based exchange Coincheck, prompting Japanese authorities to launch a wide-scale investigation into all digital money exchanges in the country for security gaps.

The theft – one of the world's biggest – has highlighted the vulnerabilities in cryptocurrency trading markets that policymakers are struggling to regulate, as well as the broader challenges for Japan as it aims to leverage the fintech industry to stimulate economic growth.

The Japanese Financial Services Agency (FSA) on Monday ordered improvements to operations at Coincheck, which on Friday suspended trading in all cryptocurrencies except bitcoin after hackers stole JPY58 billion (US\$534 million) of NEM coins, among the most popular digital currencies in the world.

Coincheck said on Sunday it would repay about 90 percent, though it has yet to figure out how to return the funds. "We realize that this illicit transfer of funds from our platform and the resulting suspension in services has caused immense distress to our customers, other

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exchanges, and people throughout the cryptocurrency industry, and we would like to offer our deepest and humblest

BITCOIN NOSEDIVES AS SOUTH KOREA, CHINA CONCERNS GROW

apologies to all of

<https://www.facebook.com/sharer/sharer.php?u=https://service.weibo.com/share/share.php?url=https://www.techwireasia.com/2018/01/japanese-cryptocurrency-exchange-nosedive-south-korea-china-concerns-grow/>

statement

(<https://coincheck.com/en/blog/4680>).

In moving towards reopening our services,

we are submitting all of our efforts towards

discovering the cause of the illicit transfer

and overhauling and strengthening our

security measures while simultaneously

continuing in our efforts to register with the

Financial Services Agency as a Virtual

Currency Exchange Service Provider.

The NEM coins were stored in a "hot wallet"

instead of the more secure "cold wallet",

which operates on platforms not directly

connected to the internet, Coincheck said. It

also does not use an extra layer of security

known as a multi-signature system.

What is NEM?

According to [Reuters](#)

<https://www.reuters.com/article/us-japan-cryptocurrency-q-a/the-coincheck-hack-and-http://techwireasia.com/2018/01/japanese-exchange>

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changes-idINKBN1FI0K4), NEM (New
Economy Movement) is a cryptocurrency
launched in March 2015 by a team of five
developers identifying themselves as Pat,
Makoto, Gimre, BloodyRookie and Jaguar.

Typical of most cryptocurrencies, NEM
is controlled by governments and central banks,
which can be used for fast, global
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It is now the tenth largest cryptocurrency,
with US\$9 billion worth of NEMs in
circulation, trading at just below US\$1 per
token, Reuters reported.

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The hack has drawn into focus Japan's
approach to regulating cryptocurrency
exchanges. Last year, it became the first
country to regulate exchanges at the national
level – a move that won praise for boosting
innovation and protecting consumers,
contrasting sharply with crackdowns in South
Korea and China.

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The FSA said it ordered Coincheck to submit a
report on the hack and measures for
preventing a recurrence by Feb 13.

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530- If added it would conduct hearings with other
550- exchanges after their operators had run their
550- own checks. If any problems or weaknesses
550- were found during the course of
550- hearings, the FSA would also conduct
550- on-site inspections.

550- The regulator also said it had yet to confirm
550- whether Coincheck had sufficient funds for
550- the reimbursement.

550- But the regulator does not have any rules
550- banning the use of "hot wallets" by


550- exchanges, nor does it set requirements on
550- how much should be kept in "cold wallets,"
550- an FSA official said at a briefing.

550- In response to FSA's order for improvements,
550- Coincheck said it would promptly strengthen
550- its customer protection and governance and
550- develop its risk management systems.

550- <http://techwireasia.com/2018/01/japanese-cryptocurrency-exchange/>

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cryptocurrency under scrutiny after government only in April 2017, allowing pre-existing operators such as Coincheck to continue offering services ahead of formal registration.

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It's been long said that cryptocurrencies are a solid system but cryptocurrency exchanges are not," said Makoto Sakuma, research fellow at NTT Research Institute.

This incident showed that the problem has not been solved at all. If Coincheck screws up its crisis management, that could deal a blow to the current cryptocurrency fever."

NEM fell to US\$0.78 from US\$1.01 on Friday but recovered to US\$0.95 by Monday evening,

 according to CoinMarketCap. Crypto-currency related shares mostly rose in Tokyo, with  <http://www.cnn.com/2018/01/19/asia/japan-cryptocurrency/index.html> which suffers? cryptocurrency exchange services gaining 35.01 percent

Exchange operators said the hack will likely cause concerns over security to grow among consumers, potentially pressuring the price of cryptocurrencies.

 <http://techwireasia.com/2018/01/japanese-cryptocurrency-exchange-530m-mil-cybertheft/>

cryptocurrency under All cryptocurrencies will now be tainted in exchange- minds, so there may be a mid-term scrutiny- negative impact," said Genki Oda, president of 530 BitPoint Japan.



mil- cybertheft) At a NEM-themed pub in the Shibuya entertainment district, Tokyoites took stock of  <http://www.facebook.com/sharer/sharer.php?u=http://www.cointechhack.com/share/2018/01/japanese-cryptocurrency-vulnerability-via-coincheck-hack>  <http://www.serveip.com/share/2018/01/japanese-cryptocurrency-vulnerability-via-coincheck-hack>  <http://www.linkedin.com/share?url=http://techwireasia.com/2018/01/japanese-cryptocurrency-vulnerability-via-coincheck-hack>

cryptocurrency- exchange- Naoki Yamamoto, a 29-year-old financial services worker, said he had lost thousands of 530 dollars worth of NEM coins.

mil- cybertheft/&title=japanese When I think about the damage that's been cybertheft/&title=japanese (my loss) isn't bad at cryptocurrency- exchange- said. "Until the security of asset flows exchange- can be guaranteed, the market can't be under- scrutiny- undertrusted."

530 Cryptocurrency risks

mil- cybertheft) Singapore-based NEM Foundation, which 530 describes itself as a promoter of the

mil- cybertheft) technology underlying the cryptocurrency,  <http://twitter.com/ntent/sweet?status=japanese>  <http://www.reddit.com/submit?u=http://techwireasia.com/2018/01/japanese-cryptocurrency-vulnerability-via-coincheck-hack> said it had a tracing system on the NEM blockchain and that it had "a full account" of all of Coincheck's lost NEM coins. It added that 530 the hacker had not moved any of the funds to exchange- exchange- or personal accounts but that it scrutiny- scrutiny- had no way to return the stolen funds to its after- owners.

mil- cybertheft/&title=japanese cryptocurrency- <http://techwireasia.com/2018/01/japanese-exchange->

cryptocurrency under scrutiny. In 2014, Tokyo-based Mt. Gox, which once handled 80 percent of the world's bitcoin trades, filed for bankruptcy after losing 530,000 bitcoins worth around half a billion dollars.

More recently, South Korean cryptocurrency exchange Youbit last month shut down and filed for bankruptcy after being hacked twice



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cryptocurrency exchange operating in exchange since last week issued



fresh warnings

about the cryptocurrency exchange

JAPANESE INTERNET COMPANY OFFERS TO PAY EMPLOYEES IN BITCOIN

Tech Wire Asia | 2 January, 2018

(<http://techwireasia.com/2018/01/japanese-internet-company-offers-pay-employees-bitcoin/>)

cryptocurrencies, with US Treasury Secretary

Steven Mnuchin relating Washington's

concern about the money being used for

illicit activity.

<http://www.reddit.com/submit?status=1&title=japanese-cryptocurrency-exchange-scrutiny>

Japan's top financial diplomat said regulation

cryptocurrencies would likely be on the

agenda at the G20 finance chiefs' meeting in

Argentina in March.

South Korea will this week ban

cryptocurrency traders from using

anonymous bank accounts, to crack down on

the criminal use of virtual coins. China,

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